

REMARKS/ARGUMENTS

Claims 1, 3-7, 9-21, 23-41, 63-68, 70 and 71 remain pending in the instant application (hereinafter, the '444 Application). Claims 34, 35, 38-40 and 70 are amended for clarity, without new matter pursuant support identified herein below. Claims 2, 8, 22, 42-62, 69 and 72-73 were previously cancelled.

It is believed that the following remarks address and resolve all issues presented in the final Office Action dated May 3, 2007. The Examiner notes that "claims 63-68 and 71 are substantially similar" to other pending claims, and does not separately address these claims. See Office Action p. 30, ¶3. Hence, the following remarks discuss claims 63-68 and 71 with like claims.

In addition, this Amendment and Response is filed with a Declaration under 35 U.S.C. §1.132 (the "'§1.132 Declaration") and Exhibits A-E, avowing commercial success and copying by others.

Support for Amended Claims

The amendments to claims 34, 35, 38-40 and 70 are fully supported by the '444 Application. For example, "[t]he system tracks interactions from customers at either a connected kiosk or at a computer connected to the database server through the Internet. Customers may be profiled according to individual information, such as movie-type preferences." Specification p. 5, lines 32-34. "Receipts may include transactional information as well as advertising and links to specific web sites...These receipts may also contain advertisements and promotional information as well as web links. ***These advertisements and promotions may be targeted to customers based on their profile data.***" Specification p. 3, lines 15-21. "Once a customer enters e-mail information at the kiosk or at the website, that customer is eligible to receive frequent tailored e-mailed updates and e-coupons from the central server on current promotions." Specification p. 11, lines 17-19.

Claim Rejections – 35 U.S.C. § 103

Independent Claims

Claim 1 and (per the Examiner's note) claim 63 stand rejected as being unpatentable over U.S. Patent No. 5,159,560 ("Newell") in view of U.S. Patent No.

5,934,439 (“Kanh”) and U.S. Patent No. 5,095,195 (“Harman”). Applicants respectfully traverse the rejection.

In order to establish *prima facie* obviousness over claim 1 or claim 63, Newell in view of Kanh and Harman must teach or suggest a method for distributing optical recorded media to and from users, including each feature of claim 1 or claim 63. The Examiner notes, and applicants agree, that multiple features of claim 1 (and also claim 63) are missing from Newell. The Examiner then states that it would have been obvious for one to modify the teachings of Newell to include certain features of Kanh and Harman. In particular, the Examiner states that it would have been obvious to modify Newell to include the following features construed in Kanh:

- kiosks connected to a server via the Internet;
- communicating between a kiosk and a server via the Internet to authorize transactions, and
- dispensing products based upon such authorization.

The Examiner likewise takes the position that it would have been obvious to modify Newell to include the touch screen and touch-selectable listing of media of Harman.

Applicants respectfully disagree and traverse the rejection. The Examiner has not cited to any single teaching or suggestion to support his many conclusory assertions for why he personally believes it is obvious to combine the references, as was required of the Examiner according to Section 2143.01 of the MPEP. Applicants further submit that the combined features of the claim 1 and claim 63 are not obvious, at least given the secondary considerations of nonobviousness provided below.

Prima Facie Obviousness Has Not Been Established – Rejection Fails to Cite to Any Prior Art Teaching or Suggestion that Indicates Desirability to Combine the References

As codified in Section 2143.01 of the MPEP, *prima facie* obviousness cannot be established by merely picking and choosing unrelated features from various references. Instead, the Examiner has the additional required burden to additionally indicate in the written record where the prior art itself (absent any evidence in the record of some well-known principle in the art) affirmatively teaches or suggests the motivation to combine the references as proposed. In the present case, however, the rejections do not even assert

that any such teachings or suggestions exist in the prior art. The rejections repeatedly state nothing more than the *Examiner's* conclusory personal opinion of why he thinks the references can be combined. The Federal Circuit though, has expressly held that mere conclusory statements from the Examiner, without any actual evidence cited on the record in support thereof, cannot satisfy the Examiner's burden to establish the obviousness of combining the references. See *In re Lee*, 277 F.3d 1338 (Fed. Cir. 2002).

For example, the entire rationale for combining the Newell reference with the Kanoh reference is the single conclusory statement that “The Examiner *takes the position* that it would have been obvious to one of ordinary skill in the art to modify the teachings of Newell ... as taught by Kanoh ... [because] one of ordinary skill in the art would have been motivated to combine the teachings ***in order to correctly identify and authenticate a customer before dispensing a product to the customer.***” Page 4 of the outstanding Office Action, emphasis added. Not one single citation to either reference, however, is provided by the Examiner in support of this purely conclusory statement. Applicants submit that nowhere, in either reference, is the desire “to correctly identify and authenticate a customer before dispensing a product to the customer” ever actually described. More particularly, neither reference teaches or suggests that the motivation conceived of by the Examiner can be accomplished according to the unique combination of features presented in the pending claims. Accordingly, the record entirely fails to satisfy this minimum requirement to establish obviousness, and the rejection should be withdrawn for at least these reasons.

Furthermore, the rationale asserted by the Examiner for combining the teachings of the Harman reference with Newell and/or Kanoh is equally deficient on its face. Once again, the entire rationale asserted is a single conclusory statement of the Examiner's own personal opinion, and not based on any actual evidence from any of the three cited references. Pages 4-5 of the outstanding Office Action. Without such required evidence on the record – evidence capable of objective review and rebuttal – the rejection presents nothing more than a case of impermissible hindsight. The rejection picks and chooses features from the various references, and then only *presumes* the obviousness of combining such features based on the Examiner's own opinion. By definition, the Examiner's personal opinion can never satisfy the definition of “documentary evidence,

capable of objective review and rebuttal.” The Examiner, for example, has not submitted anywhere in the record how he arrived at his conclusory opinion, where he received the knowledge that forms the basis of that opinion, and the actual dates such knowledge was obtained by him. The present case therefore presents the exact situation expressly rejected by the Federal Circuit in *Lee*. The rejection should again be withdrawn for at least these reasons.

Lastly, the impropriety of merely presuming the obviousness of combining the cited references is further demonstrated by the objective evidence submitted by Applicants herewith as secondary considerations to rebut a properly established *prima facie* case of obviousness. As explained above though, a proper *prima facie* case has not been established, and the rejection should be withdrawn because of the deficiencies on its face. Nevertheless, the additional rebuttal evidence presented below serves to further prove that, not only has required motivation to combine the references not been established, such motivation *could not have been* established in light of such additional rebuttal evidence.

Secondary Considerations of Nonobviousness - ‘132 Declaration of Jens Horstmann

Applicants direct the Examiner’s attention to the §1.132 Declaration of Jens Horstmann, filed herewith (the “‘132 declaration”). Applicants submit that the ‘132 declaration provides ample secondary considerations, in the form of evidence of commercial success, to rebut the current holding of obviousness.

Pursuant MPEP §2141(III), “Objective evidence or secondary considerations such as unexpected results, commercial success, long-felt need, failure of others, copying by others, licensing, and skepticism of experts are relevant to the issue of obviousness and must be considered in every case in which they are present. When evidence of any of these secondary considerations is submitted, the examiner must evaluate the evidence.” See also MPEP §716.01(a). Furthermore, “[o]ffice policy is to follow *Graham v. John Deere Co.* in the consideration and determination of obviousness under 35 U.S.C. 103. As quoted above, the four factual inquires enunciated therein as a background for determining obviousness are as follows:

- A) Determining the scope and contents of the prior art;
- B) Ascertaining the differences between the prior art and the claims in issue;

- C) Resolving the level of ordinary skill in the pertinent art; and
- D) ***Evaluating evidence of secondary considerations.***” MPEP 2141(I), emphasis added.

The ‘132 declaration and Exhibits demonstrate DVDPlay, Inc.’s commercial success, including market share, as required pursuant MPEP §716.03(b)(IV). In particular, DVDPlay, Inc., the assignee of the entire right, title and interest in and to the ‘444 application, currently holds 16-20% of the movie rental kiosk market.

As noted in the ‘132 Declaration, the ‘444 application and its parent applications (U.S. 09/578,631, U.S. 60/135,851 and U.S. 60/143,601) introduced a unique combination of steps for distributing optical recorded media to the DVD vending kiosk market. Prior to the ‘444 application, there were no kiosks or machines that combined DVDPlay’s steps in a method for distributing optical recorded to and from users. Even now, the Examiner does not find the claimed combination in any one of 13 cited references. If the claimed combination of steps was so obvious, why did no one use it in the DVD vending kiosk market prior to the ‘444 application and its parent applications? And why did both the DVD vending kiosk market and DVDPlay, Inc., grow so quickly after the introduction (and copying) of the combination claimed by Applicants? The answer is: because the ‘444 Application is not obvious under 35 U.S.C. §103.

Consider, for example, the explosive growth of the DVD vending kiosk market after the ‘444 application and its parent applications. Prior to these applications, the market was essentially non-existent. Applicants performed an Internet search for statistics of the DVD vending kiosk market prior to 2000 (the filing year of U.S. 09/578,631, of which the ‘444 application is a continuation) and prior to 1999 (the parent provisional filing year), and found very little. In fact, it is worth noting that DVD rentals did not surpass VHS rentals until 2001. See “DVD,” Consumer Electronics Association ©2007, at http://www.ce.org/Press/CEA_Pubs/929.asp. Applicants encourage the Examiner to conduct his own search for pre-2001 DVD rental kiosk sales.

On the other hand, since DVDPlay introduced its method for distributing optical recorded media to and from users, the movie rental kiosk market has grown to an estimated \$120 million per year industry (see ‘132 Declaration at Section B, number 5). DVDPlay, Inc.’s revenue for 2007 is expected to be about \$18 million (18-20% of the

current market). DVDPlay, Inc. rented its 10 millionth movie in September of 2007. See ‘132 Declaration at Section B, number 5 for additional statistics. Note also the **skepticism of experts** (another secondary consideration per MPEP §2141(III)) evidenced by Brad Hackley, vice president of business development for the home video group at industry tracker Rentrak: “Practically no one saw this coming...the kiosks came out of nowhere.” See “Self-Serve Movie Rental Kiosks A Surprise Hit With Consumers; DVD vending machines find national audience, put pinch on retailers,” Investor’s Business Daily, May 31, 2007 at Exhibit A, pp. A9-A10, *esp.* p. A10, ¶4. See also heading entitled “Secondary Considerations of Nonobviousness – Skepticism of Experts,” below.

Likewise, DVDPlay’s competitors, in particular, majority market holder Redbox, have enjoyed increased commercial success since DVDPlay, Inc. introduced its method and related systems. However, it is important to note that “***Redbox jump-started its DVD rental business by offering re-branded kiosks manufactured and operated by Silicon Valley-based DVDPlay, Inc.*** These machines were deployed to 140 locations in the McDonald’s test market of Denver, Colorado. In May of 2005, Redbox announced it was phasing out the DVDPlay-manufactured machines and instead would contract Solectron to create and manufacture a custom kiosk design.” Wikipedia’s “Redbox” article at <http://en.wikipedia.org/wiki/Redbox>, emphasis added.

In other words, Redbox created its current machines only after several years’ experience with DVDPlay, Inc.’s kiosks and methods, which incorporate DVDPlay’s unique combination of claimed features. Redbox’s success did not occur in a bubble, but is linked to the ‘444 application and its parents. See, e.g., Sections C and D (“Copying by Others” and “Commercial Success of Others Due to Copying DVDPlay Systems”), avowing copying of the DVDPlay systems by Redbox and Redbox’s subsequent success. Given Redbox’s majority share of the market and Redbox’s experience with and exposure to the DVDPlay systems, Applicants submit that the majority of commercial success of the DVD vending kiosk market in general (since the filing of the ‘444 application and its parents) can be attributed to Applicants’ invention – i.e., the unique combination of claim elements in the ‘444 application.

In accord with MPEP §716.03(b)(II), this commercial success flows from the functions and advantages disclosed or inherent in the specification. There is a nexus

between the claimed inventions of the '444 Application and this commercial success. See §1.132 Declaration, item 7 and cited Exhibits. See §1.132 Declaration, item 7 and cited Exhibits. Among exemplary disclosures, see p. 2, line 32-p. 3, line 34 and p. 7, line 25 - p. 9, line 29 of the specification.

For example, as in claim 1 of the '444 application, DVDPlay systems operate according to a method for distributing optical recorded media to and from users, including coupling one or more kiosks to a central server via the Internet. See, e.g., Exhibit B, pp. B1, ¶2-3 and 6; B7, last ¶; B11, last ¶; B25, ¶2; B26, ¶1; B80, ¶3 (noting the "huge benefit" of DVDPlay, Inc.'s Internet connectivity). Each kiosk contains a plurality of optical recorded media. See, e.g., Exhibit B, pp. b1, ¶8; B26, ¶5, B30, ¶4. See also Exhibit C, pp. C2-C3 and C11. Inventory of the optical recorded media of each of the kiosks is determined at the server and operational status of each of the kiosks is routinely obtained at the server. See, e.g., Exhibit B, pp. B1, ¶7; B9, ¶1; B11, ¶¶2 and 6; B20, ¶10; B25, ¶1; B27, ¶1; note also Tejas Videos' CEO citing reduced costs "due to the ability to remotely manage tasks from one centralized location." p. B80 ¶2. The method also includes the step of automatically interfacing with a first user via a touch screen at a first of the kiosks, in a first transaction for first local optical recorded media. See, e.g., Exhibit B, p. B11, ¶5 description of "fully-automated touch-screen interface," see also pp. B1, ¶8; B4, ¶5; B11, ¶5. See also Exhibit C, pp. C1-C5 and C7. The touch screen provides a touch-selectable listing of optical recorded media, including the first local optical recorded media, contained within the first kiosk. See, e.g., Exhibit C, pp. C1-C5 and C7. The first kiosk and the server automatically communicate to authorize the first transaction. See, e.g., Exhibit B, p. B11, especially ¶6 noting intelligent backend that communicates with kiosk and manages credit transactions. See also Exhibit B, p. B9, ¶1; Exhibit C, pp. C6-C9. The first local optical media is dispensed from the first kiosk to the first user if the first transaction is approved. See, e.g., Exhibit C, pp. C6-C9. The method also includes the step of accepting return of the first local optical media into rentable inventory of a second of the kiosks. See, e.g., Exhibit B, pp. B13, ¶2; B15, ¶4; B24, 3; B26, ¶4, noting that "All returned movies are instantly available for re-rental". Exhibit B p. B37, ¶2. See also letter from Tejas Videos' CEO, stating that returning to another kiosk is "a huge benefit", Exhibit B, p. B80, ¶3.

As in claim 63 of the '444 application, the DVDPlay system operates according to a method for distributing optical recorded media to and from users. A plurality of kiosks are coupled to a central server via the Internet, each of the kiosks configured to dispense a plurality of optical recorded media. See, e.g., Exhibit B, pp. B1, ¶2-3 and 6; B7, last ¶; B11, last ¶; B25, ¶2; B26, ¶1; B80, ¶2. Each kiosk contains a plurality of optical recorded media. See, e.g., Exhibit B, pp. b1, ¶8; B26, ¶5, B30, ¶4. See also Exhibit C, pp. C2-C3 and C11. Inventory of the optical recorded media of each of the kiosks is determined at the server, and operational status of each kiosk is routinely obtained at the server. See, e.g., Exhibit B, pp. B1, ¶7; B9, ¶1; B11, ¶¶2 and 6; B20, ¶10; B25, ¶1; B27, ¶1; B80, ¶4. The DVDPlay system automatically interfaces with a first user via a touch screen at a first of the kiosks, in a first transaction for first local optical recorded media. See, e.g., Exhibit B, p. B11, ¶5 description of "fully-automated touch-screen interface," see also pp. B1, ¶8; B4, ¶5; B11, ¶5. See also Exhibit C, pp. C1-C5 and C7. The touch screen provides a touch-selectable listing of optical recorded media, including the first local optical recorded media, contained within the first kiosk. See, e.g., Exhibit C, pp. C1-C5 and C7. The DVDPlay system automatically communicates between the first kiosk and the server to authorize the first transaction. See, e.g., Exhibit B, p. B11, especially ¶6 noting intelligent backend that communicates with kiosk and manages credit transactions. See also Exhibit B, p. B9, ¶1; Exhibit C, pp. C6-C9. If the first transaction is approved, the first local optical media is dispensed to the first user. See, e.g., Exhibit C, pp. C6-C9. Upon return, the first local optical media is accepted into rentable inventory of a second of the kiosks. See, e.g., Exhibit B, pp. B13, ¶2; B15, ¶4; B24, 3; B26, ¶4, noting that "All returned movies are instantly available for re-rental". Exhibit B p. B37, ¶2; B80, ¶3 noting the "huge benefit" of accepting returns at a second kiosk.

The combined steps of claim 1 and the combined steps of claim 63 provide for high speed, remotely managed and accessible kiosks with small physical footprints, which allow credit-card transactions, remote administration and return of media to a kiosk other than the kiosk from which the media was rented. See repeated reference to such benefits throughout the Exhibits to the §1.132 Declaration, e.g., at Exhibit B, p. B1, ¶¶1-3 and 6; p. B3, ¶2; p. b4, ¶¶3-4, p. B11, ¶2; B13, ¶2; p. B24, ¶¶1-5; p. B37, ¶¶2, 4 and 5. "Internet connectivity enables remote administration – making it easy to gauge

customer preferences, deliver reports, restock products and keep track of financial data...Because these AEMs are Internet-connected, screen-navigable, cashless and remotely managed, labor administrative costs and responsibilities are kept to a minimum.” Exhibit B p. B11, ¶2. Furthermore, connecting a kiosk or kiosks to a central server, as in claims 1 and 63, “permits realtime remote control and administration of all functions and features.” Von Shows, CEO of Tejas Videos, Inc., see Exhibit B, p. B24, ¶3. See also Mr. Shows’ comments regarding enhanced connectivity, management, diagnostic, inventory, efficiency, profitability, customer service and update benefits provided by DVDPlay systems, at Exhibit B, p. B80. Note especially Mr. Shows’ comment that “without these features, I don’t believe it would be economically feasible for me to run my operations as I currently do today.” p. B80, ¶5. Note also that “DVDPlay kiosks score highly, much to the satisfaction of the convenience stores that house these kiosks, as the entire system is automated, including the inventory management.” Frost Sullivan Award to DVDPlay at Exhibit B, p. B74, ¶1.

At the same time, the combined steps of claims 1 and 63 provide convenience to, and increase confidence in, customers transacting via the kiosks. See, e.g., Exhibit B, pp. B1-B2 (note that Freeflyr Automation is now DVDPlay, Inc.) and B20, ¶8; see also p. B55 ¶1 noting convenience and ease of use of Redbox machines, which are pre-dated by the ‘631 application and which copy features of the DVDPlay system. See ‘132 Declaration, “Copying by Others.”

Applicants believe that the ‘132 Declaration alone provides ample secondary considerations (in the form of a showing of commercial success) to rebut the §103 rejection of claims 1 and 63. However, tables 1 and 2, below, present additional secondary considerations – namely, identification by one of skill in the art of claimed features as being different from or beneficial compared to “conventional options.”

Secondary Considerations of Nonobviousness – U.S. Pat No. 7,234,609

Redbox (the majority player in the movie rental kiosk market) is the assignee of U.S. Patent No. 7,234,609 (hereinafter, “DeLazzer”), which was filed almost five years after the earliest effective date of the ‘444 application, and almost three years after the filing date of the ‘444 application. Many years after the priority date of the ‘444

application, DeLazzer cites multiple features of its claims as having “substantial benefits” and/or “distinguish[ing]...from conventional options.” For example:

TABLE 1: CLAIM 1 OF THE ‘444 APPLICATION

Claimed Feature	DeLazzer Recitation
coupling one or more kiosks to a central server via the Internet, each of the kiosks containing a plurality of optical recorded media;	<i>“Several aspects of the present invention distinguish it from conventional options...each dispensing machine has a satellite Internet uplink that <u>networks all of the machines together through the Internet</u>, coordinates the user experience via the system website, and permits the system administrator to manage all of its operations at a centralized location.”</i> DeLazzer col. 6, lines 19-20 and 61-65.
automatically interfacing with a first user via a touch screen at a first kiosk in a first transaction for first local optical recorded media, the touch screen providing a touch-selectable listing of optical recorded media, including the first local optical recorded media, contained within the first kiosk, the first kiosk being one of the kiosks, the first user being one of the users; <i>and</i> automatically communicating between the first kiosk and the server to authorize the first transaction;	<i>“The user interface control system can employ simple menus and a fixed set of keys for consumers to make their selections, it can employ break-resistant <u>touch screens</u>, or it can employ a combination of both...For those consumers having a rental membership, the DVD rental experience can more readily be customized. The member can insert his/her membership card into the card reader and enter his/her personal identification number (‘PIN’) when prompted through the user interface control system...<u>the member selects a previously reserved movie or selects a new movie from the list of titles embodied in DVD media contained within the inventory of the dispensing machine.... The specific user request made at the machine (e.g., renting a new movie or payment by credit card) is then sent via satellite feed to a centralized system office in real-time for processing. Such a procedure ensures accurate and rapid handling of every user request as well as secure billing to any credit card account of the consumer.</u>”</i> DeLazzer col. 19, line 54 – col. 20, line 27, emphasis added.
accepting return of the first local optical media- into rentable inventory of a second kiosk, the second kiosk being another one of the kiosks.	<i>“As an added convenience, consumers will have the option of <u>returning a DVD to machines other than the one from which they originally rented the movie</u>, preferably for an additional charge to cover any additional incremental administrative costs.”</i> DeLazzer col. 20, lines 38-42.

TABLE 2: CLAIM 63 OF THE '444 APPLICATION

Claimed Feature	DeLazzer Recitation
coupling a plurality of kiosks to a central server via the Internet, each of the kiosks configured to dispense a plurality of optical recorded media;	<i>“Several aspects of the present invention distinguish it from conventional options...each dispensing machine has a satellite Internet uplink that <u>networks all of the machines together through the Internet</u>, coordinates the user experience via the system website, and permits the system administrator to manage all of its operations at a centralized location.”</i> DeLazzer col. 6, lines 19-20 and 61-65.
automatically interfacing with a first user via a touch screen at a first kiosk in a first transaction for first local optical recorded media, the touch screen providing a touch-selectable listing of optical recorded media, including the first local optical recorded media, contained within the first kiosk, the first kiosk being one of the kiosks, the first user being one of the users; <i>and</i> automatically communicating between the first kiosk and the server to authorize the first transaction;	<i>“The user interface control system can employ simple menus and a fixed set of keys for consumers to make their selections, it can employ break-resistant <u>touch screens</u>, or it can employ a combination of both...For those consumers having a rental membership, the DVD rental experience can more readily be customized. The member can insert his/her membership card into the card reader and enter his/her personal identification number (‘PIN’) when prompted through the user interface control system...<u>the member selects a previously reserved movie or selects a new movie from the list of titles embodied in DVD media contained within the inventory of the dispensing machine.... The specific user request made at the machine (e.g., renting a new movie or payment by credit card) is then sent via satellite feed to a centralized system office in real-time for processing. Such a procedure ensures accurate and rapid handling of every user request as well as secure billing to any credit card account of the consumer.</u>”</i> DeLazzer col. 19, line 54 – col. 20, line 27, emphasis added.
accepting return of the first local optical media into rentable inventory of a second kiosk, the second kiosk being one of the kiosks.	<i>“As an added convenience, consumers will have the option of returning a DVD to machines other than the one from which they originally rented the movie, preferably for an additional charge to cover any additional incremental administrative costs.”</i> DeLazzer col. 20, lines 38-42.

The fact that later-filed DeLazzer (attached as Appendix A) cites the above features as different from or beneficial compared with conventional options *many years after* the priority date of the '444 application further evidences nonobviousness of claims 1 and 63.

If it was obvious to combine the features of claims 1 and 63 (as the Examiner contends), why were others touting benefits and differences of the claimed features over conventional systems, almost 3 years after the '444 application was filed? For example, if combining the teachings of Newell with the internet-connected kiosks of Kanoh (as interpreted by the Examiner) was obvious at the time of the Newell and Kanoh filings (1990 and 1997), then why does DeLazzer present such a combination as 'distinguishing from conventional options' almost seven years after the Kanoh filing date? The answer is: the combinations claimed in the '444 application were not obvious to one of skill in the art at the time the invention was made.

It is safe to presume that DeLazzer, inventor of the '609 patent, which "relates to a digital video disc (DVD) distribution system," is one of skill in the art. See DeLazzer col. 1, lines 6-9. If one skilled in the art (DeLazzer) considered the above features (at least in combination) different from what was conventional in 2004, then logically, the combined features of claims 1 and 63 would not have been obvious to one of skill in the art compared to what was conventional at an early time. Not in 2001, when the '444 Application was filed, nor in 2000, when parent application 09/578,631 was filed, nor in 1999, when parent provisional applications 60/135,851 and 60/143,601 were filed.

Applicants submit that the teachings of novelty and/or benefits in the DeLazzer patent and the attached '132 Declaration provide ample secondary considerations to rebut the Office's holding of obviousness. Accordingly, withdrawal of the §103 rejection of claims 1 and 63 is respectfully requested.

Dependent Claims

Claims 3-7, 9-21 and 23-41 depend from claim 1, and claims 64-68, 70 and 71 depend from claim 63. Courts have ruled that if an independent claim is nonobvious under 35 U.S.C. § 103, then any claim depending therefrom is nonobvious. In re Fine, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988). Applicants have provided ample evidence of secondary considerations to show that claims 1 and 63 are nonobvious. Claims 3-7, 9-21 and 23-41 and claims 64-68, 70 and 71 are therefore allowable for at least this reason. However, these claims recite additional features not taught or suggested by the cited references. For example:

Claims 3-7 and 65: Claims 3-7 recite capturing a digital image of a code. The Examiner combines Newell with U.S. Patent No. 6,688,523 (hereinafter, “Koenck” in an attempt to establish *prima facie* obviousness. However, Newell specifically describes a “self-contained, automated vending apparatus.” Newell col. 1, lines 67-68. Koenck specifically recites a “hand-held area image scanner” that scans a code to produce a digital signal that is processed and recognized off-line. Koenck col. 2, lines 7-23. Combining the hand-held scanner of Koenck with the apparatus of Newell therefore defeats the automation goals of Newell.

Claim 65 in particular recites capturing a digital image of first optical media and scanning the image to decode a bar code, to determine an identifier. As noted above, Koenck teaches a hand-held scanner, which defeats Newell's attempts at an automated system.

Claim 23: Claim 23 recites backing up at least part of information stored in the central server within internal memory within the first kiosk. The Examiner reasons that in Newell, reports would be backed up information within internal memory of a vending machine. Applicants disagree. Backing up means intentionally keeping data in more than one place for the duration of time that the data is kept. This is not the same as saving reports until they are sent to a central server. Newell is silent as to retaining reports in a vending machine memory after they have been sent. On the other hand, the ‘444 Application recites that “each kiosk maintains a backup memory of certain information from the central database server, so that transactions may occur even in the event of communication failure between the kiosk and database server. By way of example, each kiosk may contain 12 G-bytes of memory to store the certain information from the database server.” Newell does not teach this feature of claim 23.

Claims 24, 25 and 68: The Examiner asserts that U.S. Patent No. 6,965,869 (hereinafter, “Tomita”) discloses profiling user transaction at a kiosk and communicating advertising information based on the profiling of user transactions. Applicants again must disagree. Tomita accumulates points when transactions occur. In particular, the issuer provides point information to the point accumulator and the point accumulator accumulates the points and transfers the updated point information to the point notifier

which notifies the customer terminals and ultimately the customers. See Tomita col. 5, lines 41-47. The purchase data is compared to the purchase condition table to determine if points are calculated and transferred to the points accumulator for a transaction.

Tomita is silent as to transaction data being stored in a customer profile or used for communicating advertising information that is based on the transaction data. See Tomita col. 8, lines 43-52. Rather, Tomita simply adds transaction points to total points. No particular information is stored about a transaction, therefore it is not possible to communicate transaction-based advertising information at the kiosk. Even if the Examiner considers “points information” of a transaction to be the same as profiling a user transaction as claimed (applicants submit that they are not the same), Tomita still does not communicate advertising information at the kiosk based on the profiling of that user transactions.

Further, note that Tomita's step S8 displays point service information which can include special days particular to the customer, such as a birthday, wedding anniversary. This information is particular to a customer, but it is not part of a transaction profile as asserted by the Examiner. See Tomita col. 6 lines 26-32.

Claims 26-28: The Examiner notes that Newell does not teach managing kiosks via a server, but asserts that the judgment command in Kanoh is a form of managing kiosks for distribution of media. The Examiner further asserts that it would have been obvious to one of skill in the art to modify Newell to include kiosk management through the central server via a personal computer connected to the Internet.

Applicants respectfully disagree. Claims 26-28 recite managing a group of kiosks that is a subset of all of the kiosks. Neither Newell nor Kanoh make any provision for managing a subset of kiosks via a personal computer. Further, applicants note that Kanoh allows access to the central computer only by a financial institution. The financial institution would logically not be allowed to manage the kiosks.

Claim 29: Claim 29 recites determining inventory of each of the kiosks via Internet access through the central server. The Examiner notes that Newell is silent with respect to determining inventory levels via an Internet connection, but states that Kanoh determines the status of videos via an online connection to the server. Applicants

respectfully disagree. Kanoh is silent as to determining inventory of kiosks via the Internet. Even if each of Kanoh's kiosks are transferring their individual kiosk inventory status to a central server, Kanoh does not teach access to the central server by any party but a financial institution, and then, only for purposes of financial transactions. See Kanoh col. 6, lines 41-56, cited by the Examiner. Therefore, there is no way to determine inventory of kiosks via Internet access through the central server.

Claim 30: Claim 30 depends from claim 29 and recites emailing discount coupons to the first user through the Internet and based on kiosk inventory. The Examiner relies upon U.S. Patent Publication No. 20040064371 (hereinafter, "Crapo") for this feature, noting that it is absent from Newell, Kanoh and Harman.

Respectfully, Crapo also fails to provide this feature. Crapo does not email coupons based upon kiosk inventory. Rather, as the Examiner notes, Crapo recites emailing coupons based upon partner inventory. "For example, such communications may include last minute deals, offers of bonus miles, specials, sales or other incentives proved based on partner inventory or partner input on behavior the partners are interested in motivating." Crapo p. 6, ¶[0052].

The partner inventory that Crapo refers to is the inventory of credit card company partners, in particular, miles: "The partners 204 can be any individual or company that wants to generate loyalty and to do so offers WebMiles in conjunction with particular behaviors, most often purchasing behaviors, that the partner 204 wants to encourage." Crapo p. 3, ¶[0035]. Partner inventory (miles) is not the same as kiosk inventory. Thus combining Newell with Crapo still does not teach or suggest emailing discount coupons based upon kiosk inventory.

Claims 34, 38-40 and 70: Amended claims 34, 38-40 and 70 recite generating automatic, individually-targeted promotions. The Examiner looks to U.S. Patent No. 6,954,732 (hereinafter, "Delapa") for this feature, noting that Newell, Kanoh and Harman fail to teach it. However, Delapa specifically targets the coupons to **households**, which is different from targeting a promotion to a user. Different household members might have different movie tastes, thus generating a household-targeted coupon to an individual does not insure that the coupon is appropriate for or acceptable to the individual.

Secondary Considerations of Nonobviousness – Skepticism of Experts

As noted above, skepticism of experts is listed among MPEP's secondary considerations. See MPEP §2141(III). "When evidence of any of these secondary considerations is submitted, the examiner must evaluate the evidence." See also MPEP §716.01(a). We thus point out that Brad Hackley, vice president of business development for the home video group at industry tracker Rentrak says of the DVD rental kiosk market, "practically no one saw this coming...[t]he kiosks came out of nowhere." Exhibit A, p. A10, ¶4. We submit that Mr. Hackley, as an officer of a well-known entertainment industry information management company, would be privy to the opinion of experts in the movie rental industry. We further submit that Mr. Hackley's comment about "practically nobody" anticipating the commercial success of movie rental kiosks evidences skepticism on the part of those experts.

Applicants have demonstrated reasons for patentability of dependent claims 3-7, 9-21, 23,-41, 63-68, 70 and 71. These claims are believed nonobvious at least because they depend from claim 1 or claim 63. Applicants believe that the secondary considerations presented herewith and discussed in the above Remarks (the '132 Declaration and the evidence of novelty from DeLazzer) provide ample demonstration of nonobviousness of the independent claims.

CONCLUSION

All of pending claims 1, 3-7, 9-21, 23-41, 63-68, 70 and 71 are believed allowable over the cited references. Applicants therefore respectfully solicit a Notice of Allowance for all of claims 1, 3-7, 9-21, 23-41, 63-68, 70 and 71.

Should any issues remain outstanding, the Examiner is encouraged to telephone Applicants' attorney, Curtis A. Vock, at (720) 931-3011 to schedule an interview and/or to discuss the remarks presented herein. Applicants respectfully request the Examiner's call prior to the mailing of any Office Action.

A Request for Continued Examination ("RCE") and a Petition for Three Months' Extension of Time are submitted herewith, along with authorization to charge the required RCE and Petition fees to Deposit Account No. 12-0600. This paper is also filed with a supplemental IDS citing prosecution documents from parent patent application no. 09/578,631, in order to comply with the duty of disclosure as set forth at MPEP § 2001.06 and interpreted by the Federal Circuit in McKesson Information Solutions, Inc. v. Bridge Medical, Inc., 487 F.3d 897 (Fed. Cir. 2007).

Other than the extension and RCE fees, no fees are believed due. However, if any fee is deemed necessary in connection with this Amendment and Response, please charge such fee to the aforementioned deposit account.

Respectfully submitted,

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